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C O N F I D E N T I A L SECTION 01 OF 03 TEGUCIGALPA 002434

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TAGS: PGOV KCOR KJUS KCRM ECON PHUM PINR EAID HO

SUBJECT: AMBASSADOR URGES GREATER ANTI-CORRUPTION EFFORTS;
MADURO ASSERTS PROGRESS EXCEPT ON "POLITICAL CORRUPTION"

REF: A. LINDWALL-PALMER E-MAIL 10/25/04

- 1B. TEGUCIGALPA 2356
- 1C. TEGUCIGALPA 2123
- 1D. TEGUCIGALPA 1690
- 1E. TEGUCIGALPA 729
- 1F. TEGUCIGALPA 400

Classified By: Ambassador Larry L. Palmer;
reasons 1.4 (b) and (d).

11. (C) SUMMARY: On October 27, Ambassador and DCM raised U.S. concerns with President Maduro about perceptions that Honduras is backslicing on anti-corruption efforts, its potential impact on MCC eligibility, and the recent decision by the Public Ministry (PM) to dismiss corruption cases against leading political figures. Maduro, visibly agitated, stated Honduras had made many significant strides in the fight against corruption but was not getting the credit it deserves. Maduro claimed his administration was committed to fighting corruption and reiterated comments he made to the Secretary during their October 21 meeting stating he fears a

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regional conspiracy to destabilize governments by prosecuting ex-presidents and attacking/destroying the political class. Maduro did concede, however, that Honduras needed to do a better job in addressing what he termed "political corruption." Post believes that President Maduro and his inner circle, for a myriad of reasons, lack both the political will and leadership skills necessary to tackle high-level corruption in Honduras. Maduro should confront the issue head-on by calling for a high-level review of the PM's recent decisions and of alleged corrupt sitting judges.
END SUMMARY.

President Claims Honduras Making Strides Against Corruption

12. (C) On October 27, Ambassador and DCM met with President Maduro, Minister of the Presidency Luis Cosenza, and Minister of Government and Justice Jorge Ramon Hernandez Alcerro regarding perceptions that Honduras is backslicing on anti-corruption efforts and the recent crises at the Public Ministry (PM) (ref B). Maduro, visibly agitated, stated that Honduras had made many significant strides in the fight against corruption but was not getting the credit it deserves. He listed as examples the recent passage of legislation stripping immunity from senior government officials, allowing the UNDP to oversee public procurement projects, and increased success on clamping down on tax fraud. (COMMENT: It is ironic that Maduro cites the UNDP procurement process as an anti-corruption success. The Government of Honduras' (GOH) recourse to UNDP management for its bid solicitations is fundamentally an admission that the GOH cannot control corruption in its own ranks. While the GOH does deserve credit for removing immunities, the implementing legislation allowing the GOH to prosecute formerly immune officials has not yet been drafted. Also, while the GOH has done a better job of collecting taxes from small businesses and ordinary private citizens, there have been no large-scale convictions although recent reports suggest that tax fraud - involving large businesses and benefiting both major political parties - continues on a massive scale. END COMMENT.)

13. (C) Maduro did admit to Ambassador that Honduras still needed to do a better job of fighting what he termed "political corruption", acknowledging Honduras' poor record in successfully prosecuting high-level individuals on corruption charges. Maduro claimed his administration was doing all it could, but that other "independent" GOH entities, such as the judiciary, the PM, and the Supreme Court of Accounts (Tribunal Superior de Cuentas - TSC) could do a better job, although he believed the incumbent Attorney General was doing a much better job than his predecessor. (COMMENT: Power in Honduras remains extremely concentrated in a few powerful political figures. For some time, GOH officials have blamed inaction on uncooperative independent agencies. However, Post believes that if the President was

determined to tackle high-level corruption these agencies could be "persuaded" to move cases forward. END COMMENT)

14. (C) Maduro also noted that his administration was in the process of seeking a USD one million World Bank loan to hire more qualified people to make the TSC (the government agency tasked with auditing public accounts) more effective. The TSC currently employees over 600 people, many of whom have no

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knowledge of standard accounting or public procurement practices. In two years of existence, the TSC has yet to uncover a single meaningful case of corruption. It is also of some concern that the GOH is seeking World Bank support for what should be a key budgeted recurring expenditure. If it is ever to be effective, the TSC must, among other things, have a secure and predictable budget.

Whither Honduras' Anti-Corruption Commission?

15. (C) Ambassador raised U.S. concerns over the ongoing demise of Honduras' independent National Anti-Corruption Council (CNA) and rumors that the GOH was considering placing a reformed CNA under the control of the PM. Maduro vehemently denied the GOH ever considered putting the CNA under the PM and queried Ambassador on who was spreading such rumors. Minister of the Presidency Cosenza told Ambassador that he knew Roman Catholic Cardinal Oscar Andres Rodriguez was considering stepping down as Chairman of the CNA, but claimed that this was related to the Cardinal's concerns over a dispute regarding the GOH's recognition of several homosexual rights NGOs, not with corruption. Cosenza also claimed that German Espinal, ex-executive director of the CNA, was unanimously dismissed by the CNA's board because of his poor leadership. Cosenza's explanation regarding the reasons for Cardinal Rodriguez's possible resignation from the CNA contradicts statements made to PolCounts by the Cardinal's executive assistant, who stated that the Cardinal was aware of corruption in Honduras and would not continue to participate in the moribund CNA. Cosenza went on to say that the administration has a plan for a reformed CNA that would keep the entity independent.

Callejas Vindicated of Political Charges??

16. (C) Cosenza informed Ambassador that the politically motivated charges against ex-president Rafael Leonardo Callejas (1990-94) of the National Party and his associates were legitimately dismissed by the PM after several tribunals, including the Honduran Supreme Court, ruled to dismiss charges. The Supreme Court voted over a year ago, 8-7, along strict party lines, with the Nationalists in the majority. Also, Maduro claimed no prior knowledge of the PM's decision, stating that, just like Attorney General Ovidio Navarro, he felt the need to recuse himself because of his past involvement as head of the Honduran Central Bank during the Callejas administration. This statement by Maduro directly contradicts reports that Navarro met with Maduro and President of the Supreme Court Vilma Morales to discuss his proposed dismissal of these cases. While Cosenza felt the PM no longer had any reason to pursue corruption charges against Callejas, he did acknowledge that the PM's timing was poor. (COMMENT: Maduro, like many figures in the National Party, owes his political allegiance to Callejas. It is clear that Callejas enjoys a patron/client relationship with many National Party figures who have a vested interest in protecting him. It is widely believed in and outside of Honduras that Callejas was one of the most corrupt Honduran presidents since the re-establishment of democracy. END COMMENT).

Maduro Sees Regional Conspiracy

17. (C) Recalling comments he made to the Secretary during their October 21 meeting, Maduro told Ambassador he believed there was a region-wide conspiracy to destabilize the governments of Central America by prosecuting ex-presidents on corruption issues. Maduro was not specific about who the organizers of this conspiracy are. In Honduras, fewer than 500 members of the Popular Block and other popular organizations and labor groups have demonstrated in support of the dismissed fiscales and against corruption. He told Ambassador that this movement intended to replace the ruling classes and, if successful, could throw the region into turmoil.

MCC Eligibility

18. (C) Ambassador reminded Maduro both of the necessity for Honduras to continue making meaningful progress on the anti-corruption front, noting Transparency International (TI) had given Honduras a poor score on its latest survey and that public perception is growing that Honduras is backsliding on corruption issues. While granting that Honduras had made some progress on structural issues, Ambassador reminded Maduro that even when overwhelming corruption evidence is presented (as in the case of Deputy Attorney General Yuri Melara and a list of 16 judges that the Minister of Public Security provided to the Supreme Court President), the GOH has found reasons not to act. Ambassador emphasized that the GOH must do a better job of fighting high-level corruption. Minister Cosenza told Ambassador that the Maduro administration was well aware of the MCC eligibility criteria and felt that on more measurable issues, Honduras was doing fine. He added that it would be a shame if Honduras were not selected to receive funds based on distorted misperceptions that Honduras was not doing enough to fight corruption. Cosenza did note, however, that the GOH was open to the MCC requiring certain anti-corruption benchmarks be met to receive MCA funding, saying he had discussed this with two MCC Vice Presidents during recent meetings in Washington.

A Clear Lack of Leadership at the Top

19. (C) COMMENT: While the GOH remains rhetorically committed to fighting corruption, at the highest levels the political will and required leadership to address high-level corruption in Honduras falls short of what is needed. Maduro was visibly put-off by the Ambassador's suggestion that Honduras needed to do more on the anti-corruption front. Apart from the fact that Honduras could be found ineligible to receive future MCA funds based on its undistinguished anti-corruption record, Maduro appears more preoccupied with maintaining the political status quo. Post also notes that Maduro's strawman of a conspiracy to threaten the political stability of Honduras and other Central American countries has been a constant throughout his administration whenever Maduro is facing political controversy. While this alleged conspiracy has been attributed to many (public teachers unions, the leftist Popular Block currently protesting the PM controversy, the Cubans, etc.), the GOH has never presented concrete evidence to support its claims. Post believes Maduro should confront the issue head-on by calling for a high-level review of the PM's recent decisions and of alleged corrupt sitting judges. END COMMENT.
Palmer